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10 *Attorneys for Receiver*  
*Geoff Winkler of American Fiduciary Services*

11  
12 UNITED STATES DISTRICT COURT  
13 DISTRICT OF NEVADA

14 SECURITIES AND EXCHANGE  
COMMISSION,

15 Plaintiff,

16 v.

17 PROFIT CONNECT WEALTH  
18 SERVICES, INC., JOY I. KOVAR, and  
BRENT CARSON KOVAR,

19 Defendants.  
20

Case No. 2:21-cv-01298-JAD-BNW

**APPLICATION FOR ALLOWANCE  
AND PAYMENT OF FEES AND COSTS  
OF THE TEMPORARY RECEIVER  
AND HIS PROFESSIONALS**

21  
22 Geoff Winkler of American Fiduciary Services, LLC, who served as the  
23 temporary receiver (the “Temporary Receiver” or “Receiver”) over Profit Connect  
24 Wealth Services, Inc., and any subsidiaries and affiliates (together, “Profit Connect”) pursuant to a stipulation approved by the Court on July 23, 2021 (the “Temporary Receiver Order”) and until his appointment as the permanent receiver on August 6, 2021, submits this application for allowance and payment of his fees and costs as the  
27 Temporary Receiver and the fees and costs of the professionals he employed to assist  
28

1 him in fulfilling his duties under the Temporary Receiver Order. The period of time  
 2 covered by this Application is from July 23, 2021, through August 6, 2021 (the  
 3 “Application Period”), when the Court appointed the Temporary Receiver as the  
 4 permanent receiver. The Receiver is informed that the Securities & Exchange  
 5 Commission has no objection to the relief sought in this Application.

#### 6 **MEMORANDUM OF POINTS AND AUTHORITIES**

7 Because the Temporary Receiver is not a licensed attorney, does not have in-  
 8 house counsel, and is not a computer expert, he employed professionals to assist him  
 9 in fulfilling his duties as the Temporary Receiver. Specifically, pursuant to Section  
 10 III.1.g. of the Temporary Receiver Order, he retained Smiley Wang-Ekval, LLP, and  
 11 Ballard Spahr, LLP, as counsel and Stroz Friedberg as his computer forensic experts.  
 12 Their employment is the subject of a separate motion (ECF No. 32). Pursuant to this  
 13 Application, the Temporary Receiver and his professionals seek approval of the  
 14 following fees and costs: (1) \$124,325.50 in fees and \$18,321.67 in costs for the  
 15 Temporary Receiver; (2) \$10,489.00 in fees for Ballard Spahr, LLP; (3) \$3,224.05 in  
 16 fees and \$4.68 in costs for Smiley Wang-Ekval, LLP; and (4) \$118,683.75 in fees and  
 17 \$9,739.99 in costs for Stroz Friedberg.

18 This Motion is based on the below written argument, the declarations of Geoff  
 19 Winkler, Maria A. Gall, Esq., Kyra E. Andrassy, Esq., and Sergio Kopelev, all papers  
 20 on file, and any argument the Court may call and consider.

#### 21 **I. RELEVANT BACKGROUND AND PROCEDURAL HISTORY**

22 The Securities and Exchange Commission initiated this action against Profit  
 23 Connect, Joy Kovar, and Brent Kovar on July 8, 2021, by the sealed, ex parte filing  
 24 of a complaint and motion for temporary restraining order seeking, among other  
 25 things, the freezing of defendants’ assets and the appointment of a receiver over Profit  
 26 Connect. The Court granted the ex parte temporary restraining order, in part, by  
 27 allowing the asset freeze to proceed but set the motion for a hearing in order to  
 28 provide defendants an opportunity to be heard on the temporary receivership request.

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1 On July 23, 2021, defendants stipulated to modify the temporary restraining  
2 order to appoint the Temporary Receiver. Pursuant to the Temporary Receiver  
3 Order, the Temporary Receiver was authorized to employ professionals that he  
4 deemed necessary to assist him in fulfilling his duties. The Temporary Receiver  
5 Order further provided that “Defendants Profit Connect, J. Kovar, and B. Kovar, and  
6 their subsidiaries and affiliates, shall pay the costs, fees and expenses of the  
7 Temporary Receiver incurred in connection with the performance of his duties  
8 described in this Order, including the costs and expenses of those persons who may  
9 be engaged or employed by the Temporary Receiver to assist him in carrying out his  
10 duties and obligations. All applications for costs, fees, and expenses for services  
11 rendered in connection with the receivership other than routine and necessary  
12 business expenses in conducting the receivership, such as salaries, rent, and any and  
13 all other reasonable operating expenses, shall be made by application setting forth in  
14 reasonable detail the nature of the services and shall be heard by the Court.”

15 The Temporary Receiver secured the bank accounts and a cryptocurrency  
16 account at Coinbase and obtained records that enabled him to determine the activity  
17 within the cryptocurrency account. Because Coinbase’s reports contained material  
18 that it deemed trade secrets, the Temporary Receiver needed counsel to work with  
19 counsel for Coinbase to address its concerns regarding that material. Because Profit  
20 Connect was still an operating business, the Temporary Receiver also encountered a  
21 number of personnel issues ranging from health insurance coverage to termination  
22 notices to payroll, all of which required legal advice. Counsel coordinated their efforts  
23 to avoid duplication of services.

24 During this time, the Temporary Receiver required the services of Stroz  
25 Friedberg to ensure that all of the electronic data was preserved and secured at the  
26 multiple locations and to access investor information. In the Temporary Receiver’s  
27 experience, this is one of the most critical steps to the ultimate success of a  
28 receivership.

1 On August 6, 2021, following another stipulation of the parties, the Court  
 2 converted the temporary restraining order to a preliminary injunction and appointed  
 3 the Temporary Receiver as the permanent receiver of Profit Connect.

4 As of the date of this Application, the Receiver is holding approximately \$7.525  
 5 million in cash and cryptocurrency belonging to Profit Connect. As set forth in the  
 6 motion to approve the employment of the professionals and because receivership work  
 7 is a form of public service, each of the professionals has agreed to discount their  
 8 typical hourly rate by 15%, and this discount is reflected in the fees being sought in  
 9 this Application.

## 10 II. LEGAL AUTHORITY

11 “The power of a district court to impose a receivership ... derives from the  
 12 inherent power of a court of equity to fashion effective relief.” *SEC v. Wencke*, 622  
 13 F.2d 1363, 1369 (9th Cir. 1980). “The primary purpose of equity receiverships is to  
 14 promote orderly and efficient administration of the Receivership Estate by the  
 15 district court for the benefit of creditors.” *SEC v. Hardy*, 803 F.2d 1034, 1038 (9th  
 16 Cir. 1986.) “[T]he practice in administering an estate by a receiver ... must accord  
 17 with the historical practice in federal courts or with a local rule.” Fed. R. Civ. P. 66.

18 As the Ninth Circuit explained:

19 A district court’s power to supervise an equity receivership  
 20 and to determine the appropriate action to be taken in the  
 21 administration of the receivership is extremely broad. The  
 22 district court has broad powers and wide discretion to  
 23 determine the appropriate relief in an equity receivership.  
 The basis for this broad deference to the district court’s  
 supervisory role in equity receiverships arises out of the  
 fact that most receiverships involve multiple parties and  
 complex transactions.

24 *SEC v. Capital Consultants, LLC*, 397 F.3d 733, 738 (9th Cir. 2005) (citations  
 25 omitted); see also *CFTC v. Topworth Int’l, Ltd.*, 205 F.3d 1107, 1115 (9th Cir. 1999)  
 26 (“This court affords ‘broad deference’ to the court’s supervisory role, and ‘we generally  
 27 uphold reasonable procedures instituted by the district court that serve th[e] purpose  
 28

1 of orderly and efficient administration of the receivership for the benefit of  
2 creditors.”).

3 Decisions regarding the timing and amount of an award of fees and expenses  
4 to the Receiver and his or her professionals are committed to the sound discretion of  
5 the Court. *See SEC v. Elliot*, 953 F.2d 1560, 1577 (11th Cir. 1992) (rev’d in part on  
6 other grounds, 998 F.2d 922 (11th Cir. 1993)). In determining the reasonableness of  
7 fees and expenses requested in this context, the Court should consider the time  
8 records presented, the quality of the work performed, the complexity of the problems  
9 faced, and the benefit of the services rendered to the Estate, along with the  
10 Commission’s position on the request, which is entitled to “great weight.” *SEC v.*  
11 *Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. 1220, 1222 (S.D.N.Y. 1973).

### 12 **III. THE FEES AND COSTS BEING REQUESTED**

13 Below is a description of the services provided by each of the professionals  
14 during the Application Period. All of the fees and expenses incurred during the  
15 Application Period would have otherwise been incurred during the permanent  
16 receivership period and will benefit the receivership estate moving forward.

#### 17 **a. The Temporary Receiver (Ex.1)**

18 [Fees of \$124,325.50 and costs of \$18,321.67]

19 Pursuant to paragraph III(1) of the Temporary receiver Order, the Temporary  
20 Receiver was empowered and tasked with the following:

21 a. to have access to, and make an accounting of, all funds, assets,  
22 collateral, premises (whether owned, leased, pledged as collateral, occupied, or  
23 otherwise controlled), choses in action, books, records, papers and other real or  
24 personal property, wherever located (collectively, the “Assets”), of or managed  
25 by Defendant Profit Connect and its subsidiaries and affiliates (collectively,  
26 the “Receivership Entities”);

27 b. to have full, complete and immediate access to the books and  
28 records, wherever located, of Defendant Profit Connect, including but not

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1 limited to all business and financial records, bank and other financial  
2 statements, and all electronic records, wherever located;

3 c. to have full, complete, and immediate access to the principals,  
4 managers, directors, employees, agents or consultants of Defendant Profit  
5 Connect and its subsidiaries and affiliates or anyone else who is otherwise  
6 associated with Defendant Profit Connect, including but limited to Defendants  
7 B. Kovar and J. Kovar;

8 d. to conduct such investigation and discovery as may be necessary  
9 to locate and account for all of the assets of or managed by Defendant Profit  
10 Connect and its subsidiaries and affiliates, and to engage and employ  
11 attorneys, accountants and other persons to assist in such investigation and  
12 discovery;

13 e. to work with the attorneys, accountants, appraisers, and other  
14 independent contractors and technical specialists from the SEC to locate and  
15 account for all of the assets of or managed by Defendant Profit Connect and its  
16 subsidiaries and affiliates;

17 f. to take such action as is necessary and appropriate to prevent the  
18 dissipation, concealment, or disposition of any Assets;

19 g. to choose, engage, and employ attorneys, accountants, appraisers,  
20 and other independent contractors and technical specialists, as the receiver  
21 deems advisable or necessary in the performance of duties and responsibilities  
22 under the authority granted by this Order;

23 h. to make an accounting, as soon as practicable, to this Court and  
24 the SEC of the assets and financial condition of Defendant Profit Connect and  
25 its subsidiaries and affiliates, and to file the accounting with the Court and  
26 deliver copies thereof to all parties; and

27 i. to have access to and monitor all mail, electronic mail, and video  
28 phone of the Receivership Entities in order to review such mail, electronic mail,

1 and video phone which he or she deems relates to their business and the  
2 discharging of his or her duties as Temporary Receiver.

3 Pursuant to the Temporary Receiver Order, the Temporary Receiver and his team  
4 performed the following duties:

- 5 - analyzed and assessed immediate financial issues, including, but not  
6 limited to payroll, insurance, operating expenses, credit cards, wire  
7 transfers, petty cash and others;
- 8 - analyzed, captured, and processed all bank account data;
- 9 - gained access to, reviewed, and captured all data related to investors and  
10 agents;
- 11 - visited, mapped out, and assessed every physical location of defendants;
- 12 - interviewed key parties and employees to better understand business  
13 operations, fundraising activities and other information to assist in the  
14 orderly administration of the receivership estate;
- 15 - served notice of the Order to additional parties;
- 16 - worked with our computer forensics team to secure, gather and preserve all  
17 company data;
- 18 - gained access and control of all digital assets of defendants, including  
19 websites, cryptocurrency wallets, CRM systems, and other operating  
20 systems;
- 21 - quickly analyzed and assessed business operations, developed pro forma  
22 financials to determine short, medium and long-term profitability potential  
23 of all distinct business lines vis-à-vis ability to meet existing investor  
24 repayment obligations and, with the assistance of the parties, performed  
25 cost-benefit analyses of continued operations versus wind-down of the  
26 business, with anticipation of then executing on the strategy that is  
27 decided;
- 28

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- met with third party service providers, including attorneys, accountants, and other service providers;
- inventoried and assessed assets at all locations;
- assisted the company and employees with a COVID outbreak, including testing, protocols, and professional cleaning of the facility;
- preserved and documented other sources of evidence;
- identified and froze additional bank, brokerage, or securities related accounts;
- identified personal and real property in the name of receivership defendants;
- served notice of Temporary Restraining Order and Asset Freeze on all financial institutions, employees, vendors, landlords, investors and other interested third parties;
- immediately ceased all fund raising and investment activities, if applicable, including monthly and quarterly payments and payments upon maturity;
- identified and created a list of investors, creditors, and other interested parties to be noticed in the case;
- began to prepare a forensic accounting to identify assets, determine any recipients of ill-gotten gains and work with the SEC and the court to determine if there are other sources of potential recovery; and
- reviewed documents for potential tax related issues.

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The Temporary Receiver's fees for the Application Period are as follows:

<i>Name</i>	<i>Title</i>	<i>Hours</i>	<i>Rate/Hr.</i>	<i>Total</i>
Geoff Winkler	Temp. Receiver	121.1	\$340.00	\$41,174.00
John Hall	Accountant	107.4	\$310.00	\$33,294.00
Michelle Priddy	Director	50.0	\$289.00	\$14,450.00
Renee Diefenderfer	Associate	98.5	\$255.00	\$25,117.50
Ysabel Willits	Analyst	68.6	\$150.00	\$10,290.00
<b><i>Total</i></b>		<b><i>445.6</i></b>	<b><i>\$279.00</i></b>	<b><i>\$124,325.50</i></b>

Due to its broad range of experience and expertise, AFS performs almost all required work in-house, saving both time and money, including tasks involving corporate accounting, forensic accounting, case administration, claims administration, asset valuation, investor communication and internet technology. AFS' billing philosophy is to leverage work down to the staff member with the lowest bill rate that also has the skills and experience necessary to complete the task. This allows AFS to minimize the cost to complete all work associated with the case, ensuring a maximum return to stakeholders involved in the matter while also preserving the quality of our work product. AFS does not bill for travel time in regulatory cases.

AFS's rates include a 15 percent discount off its already discounted hourly rates for government matters and will not increase for the pendency of the case. Both the standard regulatory rate and the discounted regulatory rate reflect a significant discount off our standard consulting rates.

All billing standards meet or exceed the Securities and Exchange Commission's Billing Instructions for Receivers in Civil Actions Commenced by the

U.S. Securities and Exchange Commission (SFAR) and the U.S. Trustee's Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses.

The Temporary Receiver's expenses for the temporary receivership period (July 23, 2021 - August 6, 2021) are as follows:

<i>Category</i>	<i>Total Cost</i>
Airfare	\$5,826.32
Transportation	\$2,143.61
Lodging	\$6,671.75
Meals	\$2,844.00
Technology	\$88.99
Covid Testing	\$747.00
<b><i>Total</i></b>	<b><i>\$18,321.67</i></b>

AFS will not seek reimbursement for routine copying, facsimile, postage, or other expenses. Any expenses which we will seek to have reimbursed will be done so in accordance with the SEC and U.S. Trustee guidelines above. Costs directly attributable to the administration of the estate will be paid directly by the estate in accordance with the order of appointment.

**b. Ballard Spahr (Ex. 2)**

[Fees of \$10,489.00]

During the Application Period, attorneys at Ballard Spahr LLP performed services on multiple projects, and their work included, among other things: (1) issuing subpoenas to various entities in an effort to track, trace, and recover Profit Connect assets; (2) investigating ownership of certain Profit Connect assets in the possession and/or control of third-parties; (3) ensuring that Profit Connect employees were properly terminated in connection with the cessation of business operations; (4) ensuring that Profit Connect health plans were appropriately terminated and any

1 attendant notices provided; and (5) liaising with counsel of certain Profit Connect  
2 service providers to ensure that the Court's temporary restraining order was properly  
3 adhered to.

4 The Temporary Receiver's primary counsel from Ballard Spahr billed 20.5  
5 hours at a standard rate of \$495.00/hour for a total of \$10,147.50; in addition, Jay  
6 Zweig billed .90 hours at \$795.00/hour for a total of \$715.50 to advise on employment  
7 termination matters, which is in Mr. Zweig's area of labor and employment law  
8 expertise; Edward Leeds billed 1.80 hours at \$795.00/hour for a total of \$1,431.00 to  
9 advise on employee benefit matters, including in particular COBRA, mini-COBRA,  
10 and other related implications to termination of health plans, which is in Mr. Leeds's  
11 area of employee benefits expertise; Arlene Goldhammer billed .20 hours at  
12 \$230.00/hour for a total of \$46.00 in connection with research performed on asset  
13 ownership, which research is Ms. Goldhammer's area of specialty as a research  
14 analyst. The invoice reflects a 15% discount off these fees.

15 **c. Smiley Wang-Ekval (Ex. 3)**

16 [Fees of \$3,224.05 and costs of \$4.68]

17 Smiley Wang-Ekval, which is based in Southern California, assisted the  
18 Receiver with the Profit Connect location in Pasadena, California. It participated in  
19 strategy calls with the Temporary Receiver about identification and preservation of  
20 assets, which will help guide the next steps taken by the Temporary Receiver. It also  
21 gave direction on general employee and insurance issues that came up during the  
22 Application Period since Profit Connect was an operating business, including  
23 preparation of a draft termination notice to employees.

24 The Temporary Receiver's primary counsel from Smiley Wang-Ekval billed  
25 \$2,570.40 in fees; Michael Simon, an associate, billed \$563.55 in fees; and Janet  
26 Hogan, a paralegal, billed \$90.10 in fees. These fees reflect a 15% discount off of the  
27 standard hourly rates.

28 ///

1                   **d. Stroz Friedberg (Ex. 4)**

2                   [Fees of \$118,683.75 and costs of \$3,865.24]

3                   During the Application Period, staff from Stroz Friedberg (an Aon company)  
4 assisted the receiver with understanding, quantifying and collecting data from  
5 various Profit Connect IT systems. This work included, among other things: (1)  
6 inventorying digital devices used by Profit Connect principals and employees; (2)  
7 gaining access to and exporting financial data for Profit Connect; (3) performing  
8 forensic collection of data from various digital devices; (4) exporting data from various  
9 digital devices; (5) processing and hosting data exported from various digital devices;  
10 (6) performing searches of hosted data; (7) assisting with Profit Connect employee  
11 interviews; (8) taking control of Profit Connect entry, and surveillance systems; and  
12 (9) taking control of Profit Connect Office 365 productivity environment (email,  
13 document storage, etc.).

14                   The Temporary Receiver's primary consultant from Stroz Friedberg billed  
15 51.25 hours; in addition, Allan Vogel billed 79.15 hours, Jishnu Pradeep billed 89  
16 hours, Kyle Henderson billed 3 hours and Rachel Kang billed 1.5 hours to assist the  
17 primary consultant with forensic tasks outlined above at a discounted rate of \$525  
18 per hour for a total of \$117,416.25 dollars. Additionally, Joe Rossi billed 1.5 hours,  
19 Ericka Brown billed 2 hours, and Oleg Gorodetskiy billed 3 hours to assist the  
20 primary consultant with electronic discovery tasks outlined above at a discounted  
21 rate of \$195 per hour for a total of \$1,267.50 dollars. Finally, Stroz Friedberg billed  
22 \$2,500 for the use of the proprietary 0365 Collection and Response tool, and \$1,365.24  
23 in various Expenses. These rates and accompanying invoice already includes  
24 discounts from Stroz Friedberg standard rates.

25                   **IV. CONCLUSION**

26                   Based on the foregoing and pursuant to Section III.6 of the Temporary Receiver  
27 Order, the Receiver and his professionals request entry of an order:  
28

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1 (1) Allowing the Receiver \$124,325.50 in fees and \$18,321.67 in costs for the  
2 Application Period, and authorizing the Receiver to use funds on hand to pay the  
3 allowed fees and costs;

4 (2) Allowing Ballard Spahr \$10,489.00 in fees for the Application Period,  
5 and authorizing the Receiver to use funds on hand to pay the allowed fees and costs;

6 (3) Allowing Smiley Wang-Ekvall, LLP \$3,224.05 in fees and \$4.68 in costs  
7 for the Application Period, and authorizing the Receiver to use funds on hand to pay  
8 the allowed fees and costs;

9 (4) Allowing Stroz Friedberg \$118,683.75 in fees and \$3,865.24 in costs for  
10 the Application Period, and authorizing the Receiver to use funds on hand to pay the  
11 allowed fees and costs; and

12 (5) Granting such other and further relief as the Court deems just and  
13 appropriate.

14  
15 Dated: August 24, 2021

16 BALLARD SPAHR LLP

17 By: /s/ Maria A. Gall

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20 -and-

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24 *Attorneys for Receiver*

**CERTIFICATE OF SERVICE**

On August 24, 2021, I served the foregoing **APPLICATION FOR ALLOWANCE AND PAYMENT OF FEES AND COSTS OF THE TEMPORARY RECEIVER AND HIS PROFESSIONALS** on the following parties through their counsel of record by filing the same with the Court's CM/ECF system:

**Plaintiff Securities and Exchange Commission:**

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Teri M. Melson, Esq.  
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**Defendants Joy I. Kovar and Brent Carson Kovar:**

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/s/ Adam Crawford  
An Employee of Ballard Spahr LLP